

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 NEAE-00 AID-05 CIAE-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 L-03 H-01 HA-05 /110 W
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P R 140745Z AUG 78
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC PRIORITY 8222
INFO AMCONSUL ALEXANDRIA
AMEMBASSY ALGIERS
AMEMBASSY AMMAN
AMEMBASSY ATHENS
UNIST BAGHDAD 297
AMEMBASSY SANA
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMCONSUL/DHAHRAN 687
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY TELAVIA
AMEMBASSY TRIPOLI
AMEMBASSY TUNIS
USDOC WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 ABU DHABI 2187

E.O. 11652: GDS
TAGS: ETDR, TC
SUBJECT: ARAB BOYCOTT OF ISRAEL: TRADE IMPACT ON ANTI-BOYCOTT
LEGISLATION

REFS: A) STATE 194719, B) ABU DHABI 1959
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1. BEGIN SUMMARY: IMPACT OF WAA AMENDMENTS ON U.S. COMMERCE
FOR UAE IS VERY DIFFICULT TO QUANTIFY; HOWEVER, EMBASSY FEELS THAT
IMPACT HAS BEEN SUBSTANTIAL, DUE MORE TO INHIBITING EFFECT
OF LEGISLATION ON U.S. COMMERCIAL INITIATIVE RATHER THAN DUE TO
UAE POLICY IN IMPLEMENTING THE BOYCOTT. EMBASSY KNOWS OF SEVERAAL

EXAMPLES IN WHICH GOOD U.S. TRADE OPPORTUNITIES HAVE BEEN LOST BECAUSE OF THIS LEGISLATION. ALL THE FOLLOWING INFORMATION MAY BE DISCLOSED TO CONGRESSIONAL AND OTHER INQUIRIES ABOUT TRADE IMPACT EXCEPT PARA 2A AND 2B. END SUMMARY.

2. THE FOLLOWING RESPONSES KEYED TO QUESTION 6 RAISED PARA 4 REF A.

--A) A TROUBLESOME QUESTION IS PROHIBITION CONCERNING INFORMATION ABOUT RELATIONSHIPS WITH BOYCOTT COUNTRY AND BLACK-LISTED PERSONS. LOCAL BOYCOTT OFFICE INSISTS ON THIS INFORMATION WHEN ISSUE IS RAISED. FORTUNATELY, DISORGANIZATION OF BOYCOTT OFFICE AND UNEVEN ENFORCEMENT OF REGULATIONS PERMIT MANY ADHOC COMPROMISES TO BE STRUCK BETWEEN IMPORTER AND EXPORTER. SHIPPING DOCUMENTATION IS OTHER POTENTIAL PROBLEM AREA. ABU DHABI BOYCOTT OFFICE REGULATIONS REQUIRE ILLEGAL STATEMENT THAT SHIP IS NOT BLACK-LISTED. HOWEVER, IN PRACTICE SINCE JUNE 21, BOYCOTT OFFICE HAS NOT RAISED OBJECTION TO LETTERS OF CREDIT MENTIONING PHRASE THAT "VELLES IS ALLOWED BY ARAB AUTHORITIES TO CALL ON ARABIAN PORTS." EMBASSY IS UNCERTAIN ABOUT HOW LONG THIS LIMBO STATUS WILL PERSIST. BEST LOCAL OBSERVERS FEEL THAT IT MAY LAST AS LONG AS NO ONE CALLS IT TO PUBLIC ATTENTION.

--B) UAE IS MODERATELY WILLING TO ADAPT BUSINESS PRACTICE TO U.S. LAW AS LONG AS IT IS NOT THOUGHT TO BE BREAKING ARAB RANKS ON THIS ISSUE. QUIET, AMBIGUOUS ACCOMMODATION IS ORDER OF DAY, NOT CONFRONTATION.

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--C) LOCAL SOURCES MOST KNOWLEDGEABLE ABOUT UNILATERAL SELECTION ABSENT FROM ABU DHABI. EMBASSY WILL REPORT SEPTTEL INFORMATION ON THIS SELECTION UPON THEIR RETURN. UNILATERAL SELECTION IS NOT BELIEVED TO BE WIDELY USED, HOWEVER.

--D) IMPACT OF ANTI-BOYCOTT LEGISLATION IS MOST SEVERE ON SMALL AND MEDIUM FIRMS FOR WHOM EXPORT IS FREQUENTLY MARGINAL OR OCCASIONAL VENTURE. LARGE FIRMS WITH EXTENSIVE EXPORT OPERATIONS APPEAR ABLE TO HIRE LAWYERS AND STRUCTURE OPERATIONS TO MINIMIZE IMPACT OF LEGISLATION.

--E) U.S. FIRMS AS YET HAVE NOT REACTED TO THE RECENTLY ANNOUNCED REPORTING REGULATIONS TO THE BEST OF OUR KNOWLEDGE. MOST LOCAL FIRMS OPERATE UNDER TIGHT REIN WHEN DEALING WITH BOYCOTT QUESTIONS AND RECEIVE FAIRLY EXPLICIT INSTRUCTIONS FROM HOME OFFICES.

--F) EMBASSY KNOWS OF TWO RELEVANT CASES. THIRD COUNTRY FIRMS HAVE ACCUSED U.S. COMPANIES OF ZIONIST CONNECTION OR BEING SUBSIDIARY OF BLACK-LISTED COMPANY WHICH HAVE LED TO BOYCOTT

OFFICE QUESTIONS TO WHICH U.S. LEGISLATION PROHIBITS REPLY. ONE EXAMPLE IS U.S. FIRM CITED REF B. IT IS COMPLETING FOR

LARGE CONTRACT AND IS FACED WITH BOYCOTT OFFICE QUESTIONNAIRE
STEMMING FROM KUWAITI COMPETITORS ASSERTING THAT FIRM'S BOARD
CONTAINS ZIONISTS. FIRM NOT ONLY STANDS TO BE ELIMINATED FROM
COMPETITION BY REFUSAL TO ANSWER BUT MAY LOSE ALREADY EXISTING
CONTRACT. SECOND CASE INVOLVES COMPANY WITH NAME SIMILAR TO
ALREADY BOYCOTT COMPANY'S NAME. KOREAN COMPETITOR HAS ALLEGED THAT
COMPANY IS SUBSIDIARY OF BLACK-LISTED COMPANY, AND BOYCOTT OFFICE IS
PURSUING MATTER VIA QUESTIONNAIRE.

--G) MANY BUSINESSMEN WERE EXTREMELY CONFUSED ABOUT U.S. LAWS AND
REGULATIONS IN EARLY PERIOD AFTER THEIR

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C O N F I D E N T I A L SECTION 2 OF 2 ABU DHABI 2187

PROCLAMATION. EMBASSY HAS NOT BEEN RECENTLY INVOLVED IN

EXPLANATION OF ANTI-BOYCOTT REGULATIONS PERHAPS REFLECTING GROWING
U.S. FIRMS' EXPERIENCE IN HANDLING SITUATIONS THEMSELVES OR
IMPACT OF EMBASSY'S INITIAL BRIEFINGS.

--H) U.S. EXPORTS TO UAE HAVE DROPPED DRAMATICALLY IN FIRST FOUR
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MONTHS OF 1978 FROM \$191.4 MILLION TO \$154.9 MILLION. THIS DROP OF
22 PERCENT IS HIGHER THAN OVERALL PERCENT DECREASE IN UAE IMPORTS
DURING THAT PERIOD. FACT THAT BUSINESS TURNDOWN IN UAE IN EARLY
1978 HAS COMPLICATED QUESTION OF IDENTIFYING SPECIFIC CAUSES FOR
DECLINE IN U.S. EXPORTS. EMBASSY, HOWEVER, IS AWARE OF TWO CASES
IN WHICH U.S. CONSTRUCTION COMPANIES HAVE REFUSED TO BID LARGE
PROJECTS IN UAE BECAUSE THEY DID NOT WISH TO BECOME INVOLVED
IN NEGOTIATIONS ATTEMPTING TO ELIMINATE ILLEGAL BOYCOTT LANGUAGE. IN
BOTH CASES, PUBLICLY-HELD COMPANIES FEARED UNFAVORABLE U.S. STOCK-
HOLDER AND OTHER REACTION IF THEY PROCEEDED WITH BIDS. TOTAL OF
SIX PROJECTS ARE INVOLVED AND EMBASSY ESTIMATE IS THAT \$150 MILLION
WORK WAS AT STAKE. IN ANOTHER CASE, A U.S. MANUFACTURER OF PUMPS
WHICH HAD BEEN COMPETING FOR THE SUPPLY OF \$100 MILLION WORTH OF PUMPS

OVER THE NEXT FIVE YEARS FOR THE MAJOR GAS FATHERING PROJECT AT
RAUWAIS, HAS DECIDED TO SHIFT SOURCING PRINCIPALLY BECAUSE OF
BOYCOTT LEGISLATION TO EUROPEAN FIRMS WITH WHICH IT HAS LICENSING
ARRANGEMENTS. WHILE COMPANY CAN EXPECT SOME REVENUE FROM
LICENSING, RETURN TO U.S. WILL BE CONSIDERABLY SMALLER.

--I) FROM PRECEDING EXAMPLES, IT IS DIFFICULT TO GIVE MEANINGFUL
DOLLAR ESTIMATE OF IMPACT OF REGULATIONS. MORE-OVER, MUCH OF THE
IMPACT HAS BEEN TO HAMPER U.S. COMMERCIAL INITIATIVE AND DISCOURAGE
AMERICAN FIRMS FROM BIDDING. ALSO, IT IS NOT POSSIBLE TO ESTIMATE
THE PROBABILITY OF THE FIRM'S SUCCESS HAD IT BID. IN SOME CASES, AFTER

AN IMPASSE WAS REACHED BETWEEN U.S. FIRM AND PURCHASER, INTERVENTION
BY EMBASSY AND LOCAL AGENT OF U.S. FIRM ASSISTED THE PARTIES
TO WORK OUT THE PROBLEM. IN ONE SPECIFIC INSTANCE, IT WAS
POSSIBLE TO RESOLVE A BOYCOTT ISSUE THROUGH EMBASSY INTERVENTION,
RESULTING IN SAVING AN ORDER FOR TURBINES VALUED AT ABOUT
\$10 MILLION.

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3. U.S. FIRMS HAVE REQUESTED EMBASSY NOT TO DISCLOSE THEIR IDENTITY
IN REPORTING ON TRADE IMPACT OF ANIT-BOYCOTT LEGISLATION.
EMBASSY, IN ADDITION, STRONGLY REQUESTS THAT INFORMATION CONTAINED
2A AND 2B NOT BE RELEASED AS DISCLOSURE WOULD LIKELY RESULT IN

TIGHTENING OF ENFORCEMENT OF BOYCOTT LOCALLY.
DICKMAN.

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